

CASE STUDY #2

PROGRAM FUND AND FINANCING FUND FOR A DIRECT LOAN PROGRAM

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DRAFT: December 17, 2004

This document is one of a series of accounting case studies designed by the Financial Management Domain to ascertain whether entries required to record transactions are contained in DoD's Standard General Ledger transaction library. This version of the case, dated December 17, 2004, supersedes all previous versions. The transaction library is discussed in a separate document entitled "Concept of Operations for the DoD Standard General Ledger Transaction Library, based on the U.S. Government Standard General Ledger," draft version 2.0, which these cases accompany. As a useful cross-reference, the tables below each transaction in the case studies refer to DoD Transaction Codes used in the transaction library.

NATURE OF THE CASE

This is an accounting case study for a DoD program and financing fund, which makes direct loans, such as for contractors to construct and maintain military quarters and for foreign governments to purchase weapons system components. The case begins with the first year of operation, and continues into a second year to allow “hanging” transactions from Year 1 to be cleared. Entries, in standard general journal form, using United States Government Standard General Ledger (USSGL) accounts, include:

- Anticipation and realization of appropriations and of federal and non-federal collections, including monies transferred from the program fund to the financing fund.
- Realization of borrowing authority.
- Apportionment, allotment, and commitment of funds.¹
- Obligations for subsidy (broken into its required components), administrative expenses, interest to Treasury, and making direct loans, without advances.²
- Receipt, accrual, and payment for goods and services, including making direct loans and paying principal and interest on loans from Treasury.³
- Collection of principal and interest from customers, proceeds from borrowing, and subsidy from the program to the financing fund.

¹ Commitment accounting is less useful for credit program transactions than it might be for, say, transactions in a working capital fund. However, in order not to make special rules exempting the transactions, commitments and obligations in the form of undelivered orders are placed simultaneously in the illustrations.

² While it would be possible to have advances for undelivered orders with administrative expenses, subsidy cannot be advanced to the financing fund, since interest would have to be paid with it, and there is no legal authority for such interest to be paid.

³ In some cases, it is not expeditious to create transactions to create payables prior to paying them, such as for the transfer of subsidy from the program to the financing fund. To avoid special rules exempting such transactions, payables and payments are recorded simultaneously in the illustrations.

- An upward subsidy re-estimate (an appendix discusses the nature of a downward re-estimate and how it differs), accrued at the end of Year 1 and with cash provided at the beginning of Year 2.
- Closing entries.

The case provides pre- and post-closing trial balances, and indicates relationship that can be expected among the budgetary and proprietary accounts involved. The following financial statements are issued, with crosswalks prepared for each:

- Statement of net cost.
- Statement of changes in net position.
- Statement of budgetary resources.
- Statement of financing.
- Balance sheet.

The case is designed primarily for an audience of accountants with knowledge of federal generally accepted accounting principles relating to budgetary and proprietary accounting for authority, which does not expire. Its purpose is to provide a benchmark against which to test the transactions and reporting modules of an accounting system to see if they result in essentially the same journal entries, trial balances, and financial statements.

Some caveats and additional remarks:

- Transactions are summarized for the year, and generally are illustrated only once. In practice, of course, they would occur numerous times.
- Operating expenses/program costs (account 6100) and future-funded expenses (account 6800) are subdivided for purposes of illustration - the account numbers used with two or more different titles. In an actual situation, attributes, sub-accounts, subsidiary ledgers, or other means would be required for the separation. Subsidy is accumulated via the divisions of both accounts.
- Account titles used with the transactions may contain abbreviated titles or titles that more clearly identify how the accounts are used. For example, the financing fund uses account 1310, "accounts receivable," to accrue upward re-estimates of subsidy at year-end from the program fund. The title for 1310 in the transactions involved reads "Subsidy Receivable from Program Fund."
- Small numbers are used to facilitate reading and comprehension. All amounts should be considered material.
- While the case illustrates a number of common transactions, there is no intent or claim to provide for every possible transaction or variation of transactions. Some transactions have been intentionally omitted. For

example, the case does not illustrate the acquisition, maintenance, repair, and rental of foreclosed property on defaulted loans, since at this writing such transactions would not be expected to occur for several years. Accordingly, while relationships between and among account balances are as indicated in the case, the formulas for the relationships could be more complex if additional transactions were included.

- Unless stated otherwise, the transactions reflect business rules established such that (1) there must be a commitment before an undelivered order, (2) there must be an undelivered order before a payable; and (3) there must be a payable before a disbursement.

The sections of the case follow in this order:

- Accounts used
- Relationships among accounts in the opening trial balances
- Transactions for Year 1
- Pre-closing trial balances for Year 1
- Relationships among accounts in the pre-closing trial balances for Year 1
- Closing entries for Year 1
- Post-closing trial balances for Year 1
- Relationships among accounts in the post-closing trial balances for Year 1
- Financial statements for Year 1.
- Transactions for Year 2
- Appendix: Downward re-estimate entries and reporting

Additional information is provided in footnote disclosures or notes within the body of the text throughout.

ACCOUNTS USED IN THE CASE

Budgetary and proprietary accounts used in the case are set forth in the tables of this section. A “P” indicates applicability to the program fund and an “F” to the financing fund for direct loans.

BUDGETARY ACCOUNTS USED IN THE CASE

4047 Anticipated Transfers to the General Fund of the Treasury (F)
4060 Anticipated Collections from Non-Federal Sources (F)
4070 Anticipated Collections from Federal Sources (F)
4115 Loan Subsidy Appropriation (P)
4117 Loan Administrative Expense Appropriation (P)
4118 Re-estimated Loan Subsidy Appropriation (P)
4120 Anticipated Appropriations – Indefinite (P)
4141 Current-Year Borrowing Authority Realized (F)
4145 Borrowing Authority Converted to Cash (F)
4146 Actual Repayments of Debt, Current-Year Authority (F)
4148 Resources Realized from Borrowing Authority (F)
4201 Total Actual Resources – Collected (P,F)
4221 Unfilled Customer Orders Without Advance (F)
4262 Actual Collections of Loan Principal (F)
4263 Actual Collections of Loan Interest (F)
4271 Actual Collections of Subsidy (F)
4450 Unapportioned Authority (P,F)
4510 Apportionments (P,F)
4590 Apportionments Unavailable – Anticipated Resources (P)
4610 Allotments – Realized Resources (P,F)
4700 Commitments (P,F)
4801 Undelivered Orders – Obligations, Unpaid (P,F)
4901 Delivered Orders – Obligations, Unpaid (P,F)
4902 Delivered Orders – Obligations, Paid (P,F)

PROPRIETARY ACCOUNTS USED IN THE CASE

1010 Fund Balance with Treasury (P,F)
1310 Accounts Receivable (F)
1350 Loans Receivable (F)
1399 Allowance for Subsidy (F)
2110 Accounts Payable (P,F)
2170 Subsidy Payable to Financing Fund (P)
2510 Principal Payable to Treasury (F)
3310 Cumulative Results of Operations (P,F⁴)
5310 Interest Revenue – Other (F)
5312 Interest Revenue – Loans Receivable/Uninvested Funds (F)
6100 Operating Expenses/Program Costs – Administrative Expense (P)
6100 Operating Expenses/Program Costs – Subsidy Expense – Defaults (P)
6100 Operating Expenses/Program Costs – Subsidy Expense – Interest Differential (P)
6100 Operating Expenses/Program Costs – Re-Estimated Subsidy Expense –
Now Funded (P)
6310 Interest Expenses on Borrowing From the Bureau of the Public Debt and/or the
Federal Financing Bank (F)
6800 Future Funded Expenses – Subsidy Re-Estimate Expense – Cash Flows –
Principal (P)
6800 Future Funded Expenses – Subsidy Re-Estimate Expense – Cash Flows –
Interest (P)
6800 Future Funded Expenses – Subsidy Re-Estimate Expense – Interest Rate –
Principal (P)
6800 Future Funded Expenses – Subsidy Re-Estimate Expense – Interest (P)
6800 Future Funded Expenses – Re-Estimate Subsidy Expense No Longer
Unfunded (P)

TRANSACTIONS—YEAR 1

1.1 The program fund requested apportionment of a \$35 no-year direct loan subsidy appropriation, which was anticipated, and a \$10 apportionment of an annual appropriation for administrative expenses. The credit program involved was not categorized by law as an entitlement program.⁵

⁴ However, note that both the beginning and post-closing balances of this account must be zero in the financing fund.

⁵ Whether a program is designated as an entitlement or a discretionary program makes a difference as to how downward re-estimates are treated. In an entitlement program, downward re-estimates usually go from the financing fund back to the program fund for re-use; in a discretionary program, they usually go to designated miscellaneous receipt fund in Treasury.

4115 Loan Subsidy Appropriation	35	
4117 Loan Administrative Expense Appropriation	10	
4450 Unapportioned Authority		45
1010 Fund Balance with Treasury	45	
3101 Unexpended Appropriations – Appropriations Received		45

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A104	A104-008	4115	4450	1010	3101	35
A104	A104-011	4117	4450	1010	3101	10

1-2. The financing fund for a direct loan program requested apportionment of a \$35 subsidy collection anticipated from the program fund, \$15 of loans and interest anticipated from borrowers, and \$65 of borrowing authority. It anticipated that the \$15 would be paid to Treasury – \$11 on the Treasury loan principal and \$4 interest. Note: the \$11 principal repayment is a non-expenditure transaction, while the \$4 is an expenditure transaction.

4060 Anticipated Collections from Non-Federal Sources	15	
4070 Anticipated Collections from Federal Sources	35	
4141 Current-Year Borrowing Authority Realized	65	
4047 Anticipated Transfers to the General Fund of the Treasury		11
4450 Unapportioned Authority		104

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A140	A140-001	4060	4450			15
A140	A140-003	4070	4450			35
A152	A152-001	4141	4450			65
A142	A142-001	4450	4047			11

1-3. OMB apportioned all requested amounts for both funds, which resulted in realizing the subsidy appropriation.

1-3a. Program Fund

4450 Unapportioned Authority	35	
4510 Apportionments		35

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			35

1-3b. Financing Fund for Direct Loans

4450 Unapportioned Authority	104	
4510 Apportionments		65
4590 Apportionments – Anticipated Resources – Programs Subject to Apportionment		39

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A118	A118-001	4450	4590			39
A116	A116-001	4450	4510			65

1-4. The funds allotted the maximum authority allowable.

1-4a. Program Fund

4510 Apportionments	45	
4610 Allotments – Realized Resources		45

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			45

1-4b. Financing Fund for Direct Loans

4510 Apportionments	65	
4610 Allotments – Realized Resources		65

Note that the \$35 in anticipated collections cannot be allotted until realized.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			65

1-5. The entity made a firm commitment to make a direct loan to an applicant after the applicant satisfied stated criteria. The subsidy rate was 35%.

1-5a. Program Fund

4610 Allotments – Realized Resources	35	
4700 Commitments – Programs Subject to Apportionment		35
4700 Commitments – Programs Subject to Apportionment	35	
4801 Undelivered Orders – Obligations, Unpaid		35

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			35
B204	B204-003	4700	4801			35

1-5b. Financing Fund for Direct Loans

4221 Unfilled Customer Orders Without Advances	35	
4070 Anticipated Collections from Federal Sources		35
4590 Apportionments – Anticipated Resources- Programs Subject to Apportionments	35	
4610 Allotments – Realized Resources		35
4610 Allotments – Realized Resources	100	
4700 Commitments – Programs Subject to Apportionments		100
4700 Commitments – Programs Subject to Apportionments	100	
4801 Undelivered Orders – Obligations, Unpaid		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C101	C101-001	4221	4070			35
A122	A122-002	4590	4610			35
B202	B202-001	4610	4700			100
B204	B204-003	4700	4801			100

1-6. The applicant met the required criteria and received a direct loan for \$100. The subsidy rate was 35%--30% for defaults and 5% for interest differentials.

1-6a. Program Fund

4801 Undelivered Orders – Obligations, Unpaid	35	
4901 Delivered Orders – Obligations, Unpaid		35
4901 Delivered Orders – Obligations, Unpaid	35	
4902 Delivered Orders – Obligations, Paid		35
6100 Operating Expenses/Program Costs	30	
6100 Operating Expenses/Program Costs	5	
2110 to 1010 Accounts Payable to Fund Balance with Treasury		35
3107 Unexpended Appropriations – Used	35	
5700 Expended Appropriations		35

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	35
B110	B110-001	4901	4902	2110	1010	35
B134	B134-001			3107	5700	35

1-6b. Financing Fund for Direct Loans

4148 Resources Realized from Borrowing Authority	65	
4145 Borrowing Authority Converted to Cash		65
4271 Actual Program Fund Subsidy Collected	35	
4221 Unfilled Customer Orders Without Advances		35
1010 Fund Balance with Treasury	65	
2510 Principal Payable to Treasury		65
1010 Fund Balance with Treasury	35	
1399 Allowance for Subsidy		35
4801 Undelivered Orders Without Advances	100	
4902 Delivered Orders Paid		100
1350 Loans Receivable	100	
1010 Fund Balance with Treasury		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A156	A156-001	4148	4145	1010	2510	65
C103	C103-004	4271	4221	1010	1399	35
C206	C206-001	4801	4902	1350	1010	100

1-7. The program fund placed commitments for \$9 of administrative expenses

4610 Allotments – Realized Resources 9
4700 Commitments - Programs Subject to Apportionment 9

1-8. The program fund placed \$9 of undelivered orders without advances against commitments for administrative expenses.

4700 Commitments – Programs Subject to Apportionment 9
4801 Undelivered Orders – Obligations, Unpaid 9

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			9
B204	B204-003	4700	4801			9

1-9. The program fund incurred \$7 of administrative expenses that had been obligated in that amount.

4801 Undelivered Orders Without Advances 7
4901 Delivered Orders – Payable (“Unpaid”) 7

6100 Administrative Expenses 7
2110 Accounts Payable 7

3107 Unexpended Appropriations – Used 7
5700 Financing Sources from Appropriations Used 7

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	7

B134	B134-001			3107	5700	7
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1-10. The program Fund paid \$6 of its payables.

4901 Delivered Orders – Payable	6	
4902 Delivered Orders – Paid		6
2110 Accounts Payable	6	
1010 Fund Balance with Treasury		6

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	6

1-11. The borrower repaid \$12 of interest and \$2 of principal to the financing fund.

4262 Actual Collections of Loan Principal	12	
4263 Actual Collections of Loan Interest	2	
4060 Anticipated Collections from Non-federal Sources		14
4590 Apportionments Unavailable – Anticipated Resources	4	
4610 Allotments – Realized Resources		4
<i>Note: Only the remaining balance of \$4 in 4590 can be allotted.</i>		
1010 Fund Balance with Treasury	14	
1350 Loans Receivable		12
5312 Interest Revenue: Loans Rec./Uninvested Funds		2

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C109	C109-034	4262	4060	1010	1350	12
C109	C109-082	4263	4060	1010	5312	2
A122	A122-002	4590	4610			4

1-12. The financing fund repaid \$11 of the Treasury loan, plus \$3 interest.

4047 Anticipated Transfers to the General Fund of the Treasury	11	
4146 Actual Repayments of Debt – Current-Year Authority		11

2510 Principal Payable to Treasury	11	
1010 Fund Balance with Treasury		11
4610 Allotments – Realized Resources	3	
4700 Commitments – Programs Subject to Apportionment		3
4700 Commitments – Programs Subject to Apportionment	3	
4801 Undelivered Orders – Obligations, Unpaid		3
4801 Undelivered Orders – Obligations, Unpaid	3	
4901 Delivered Orders – Obligations, Unpaid		3
4902 Delivered Orders – Obligations, Paid	3	
6310 Interest Expense – Treasury	3	
2140 Accrued Interest Payable		3
2140 Accrued Interest Payable	3	
1010 Fund Balance with Treasury		3

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B120	B120-002	4047	4146	2510	1010	11
B202	B202-001	4610	4700			3
B204	B204-003	4700	4801			3
B204 Reverse	B204-001 Reverse	4801	4610			3
B322	B322-001	4610	4901	6310	2140	3
B112	B112-001	4901	4902	2140	1010	3

1-13. The financing fund amortized the interest differential from the subsidy.

1399 Allowance for Subsidy	1	
5310 Interest Revenue – Subsidy Amortization		1
[Interest income from transaction 10, \$2, less interest expense from transaction 11, \$3]		

Note: The financing fund cannot have a net position. After closing, cumulative results of operations must be zero.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D512	D512-001			1399	5310	1

1-14. There was an upward re-estimate of subsidy in the amount of \$4 from changes in cash flows plus \$1 due to interest rate changes. The components are shown in the table below.

Subsidy Component	Principal	Interest	Total
Cash Flows	3.00	1.00	4.00
Interest Rate	.75	.25	1.00
Total	3.75	1.25	5.00

1-14a. Program Fund

6800 Subsidy Exp – Upward Re-estimate – Cash Flows – Principal	3	
6800 Subsidy Exp– Upward Re-estimate – Cash Flows – Int	1	
6800 Subsidy Exp – Upward Re-estimate – Int Rate – Principal	.75	
6800 Subsidy Exp – Upward Re-estimate – Int Rate – Interest	.25	
2170 Subsidy Payable to Financing Fund		5

Note: The re-estimate subsidy expense must be broken out between the elements shown, per FASAB Standard #18.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B324	B324-002			6800	2170	5

1-14b. Financing Fund for Direct Loans

1310 Subsidy Receivable from Program Fund	5	
1399 Allowance for Subsidy		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C228	C228-003			1310	1399	5

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Direct Loans</i>
4047	N/A	\$ - 0 -
4060	N/A	1
4070	N/A	- 0 -
4115	\$35	N/A
4117	10	N/A
4120	- 0 -	N/A
4141	N/A	65
4145	N/A	(65)
4146	N/A	(11)
4148	N/A	65
4201	- 0 -	- 0 -
4221	N/A	- 0 -
4262	N/A	12
4263	N/A	2
4271	N/A	35
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	(1)	(1)
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	(41)	(103)

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund For Direct Loans</i>
1010	\$ 4	\$-0-
1310	N/A	5
1350	N/A	88
1399	N/A	(39)
2110	(1)	N/A
2170	(5)	N/A
2510	N/A	(54)
3101	(45)	N/A
3107	42	N/A
3310	-0-	-0-
5310 Int Revenue – Subsidy Amort.	N/A	(1)
5312	-0-	(2)
5700	(42)	N/A
6100 Admin Expense	7	N/A
6100 Subsidy -Defaults	30	N/A
6100 Subsidy-Interest/Differential	5	N/A
6310	N/A	3
6800 Subsidy-Re-Est-Cash Flow-Prin	3	N/A
6800 Subsidy-Re-Est-Cash Flow-Int	1	N/A
6800 Subsidy-Re-Est-Interest Rate-Prin	.75	N/A
6800 Subsidy-Re-Est-Interest Rate-Int	.25	N/A

RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 1

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

Program Fund

1. $4201 + 4115 + 4117 - 4902 = 1010$ [$\$-0- + 35 + 10 - 41 = \4]
2. $4901E-B + 4902 E-B = 3107$ [$(\$1 - \$-0-) + (\$41 - \$0) = \$42$]
3. $3107 = 5700 = 6100$ [$\$42 = \$42 = \$42$]

Financing Fund

1. $4148 + 4201 + 4262 + 4263 + 4271 - 4146 - 4902 = 1010$ [$\$65 + \$0 + \$12 + \$2 + \$35 - \$11 - \$103 = \$-0-$]
2. $4148 - 4146 = 2510(E-B)$ [$\$65 - \$11 = \$54 - \$-0-$]
3. $6310 - 5310 - 5312 = 0$ [$\$3 - \$1 - \$2 = \$-0-$]
4. 3310 must = $\$-0-$ [it does]

CLOSING ENTRIES—YEAR 1

Closing entries are set forth below.

Program Fund Budgetary

PCB1-1. To change the status of unobligated authority for administrative expenses to expired authority.

4610 Allotments – Realized Resources 1
4650 Allotments – Expired Authority 1

Note that there is no unobligated authority for the subsidy. If there were, it would have been closed to 4450.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F212	F212-005	4610	4650			1

PCB1-2. To consolidate the budgetary cash accounts into total actual resources - collected.

4902 Delivered Orders – Paid 41
4201 Total Actual Resources – Collected 4
4115 Subsidy Appropriation 35
4117 Administrative Expense Appropriation 10

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			41
F204	F204-037	4201	4115			35
F204	F204-038	4201	4117			10

Program Fund - Proprietary

PCP1-3. To consolidate accounts relating to unexpended appropriations.

3101 Unexpended Appropriations – Received 45
3100 Unexpended Appropriations – Cumulative 3
3107 Unexpended Appropriations – Used 42

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-001			3101	3100	45
F233	F233-009			3100	3107	42

PCP1-4. To close expense and financing source accounts to cumulative results of operations.

5700 Financing Sources from Appropriations Used	42	
3310 Cumulative Results of Operations	5	
6100 Administrative Expense		7
6100 Subsidy Exp - Defaults		30
6100 Subsidy Expense – Interest Differential		5
6800 Subsidy Expense – Re-Est – for Cash Flow Changes - Prin		3
6800 Subsidy Expense – Re-Est – for Int Rate Changes – Prin		.75
6800 Subsidy Exp – Re-Est – for Cash Flow Changes - Int		1
6800 Subsidy Exp – Re-Est – for Int Rate Changes – Int		.25

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	42
F228	F228-032			3310	6800	5
F228	F228-022			3310	6100	42

Financing Fund Budgetary

FCB1-1. To close unobligated authority accounts to unapportioned authority.

4610 Allotments – Realized Resources	1	
4450 Unapportioned Authority		1

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F210	F210-004	4610	4450			1

FCB1-2. To consolidate the budgetary cash accounts into Total Actual Resources - Collected.

4902 Delivered Orders – Paid	103	
4146 Actual Repayments of Debt – Current-Year Authority	11	
4201 Total Actual Resources – Collected	0	
4148 Resources Realized from Borrowing Authority		65
4262 Actual Collections of Loan Principal		12
4263 Actual Collections of Loan Interest		2
4271 Actual Collections of Subsidy		35

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			103
F204	F204-003	4146	4201			11
F204	F204-044	4201	4148			65
F204	F204-019	4201	4262			12
F204	F204-020	4201	4263			2
F204	F204-025	4201	4271			35

FCB1-3. To remove borrowing authority accounts from the books.

4145 Borrowing Authority Converted to Cash	65	
4141 Current-Year Borrowing Authority Realized		65

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F208	F208-004	4145	4141			65

Note that there is no unobligated borrowing authority. All authority was obligated to make the direct loan payment. If there had been any authority which had not been obligated, 4145 would have been less than 4141, and the difference would have been withdrawn via a credit to account 4144, “Borrowing Authority Withdrawn.”

FCB1-4. To remove the anticipated resource and non-expenditure payment accounts from the books.

4450 Unapportioned Authority
 4060 Anticipated Collections from Non-Federal Sources

1

1

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F112	F112-023	4450	4060			1

Note that accounts 4047, 4070, and 4590 had pre-closing balances of zero. Had there been a balance, it would have been closed into 4450.

Financing Fund Proprietary

FCP1-5. To close expense and financing source accounts to cumulative results of operations.

5310 Interest Revenue - Subsidy Amortization

1

5312 Interest Income – Loans Receivable/Invested Funds

2

3310 Cumulative Results of Operations

0

6310 Interest Expense – Treasury

3

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-037			5310	3310	1
F228	F228-039			5312	3310	2
F228	F228-023			3310	6310	3

Note that this leaves cumulative results of operations with a zero balance, which is required. Financing funds cannot have a net position. Their assets must equal their liabilities.

POST-CLOSING TRIAL BALANCES—YEAR 1

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Direct Loans</i>
4047	N/A	\$ - 0 -
4060	N/A	- 0 -
4070	N/A	- 0 -
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4120	- 0 -	N/A
4141	N/A	- 0 -
4145	N/A	- 0 -
4146	N/A	- 0 -
4148	N/A	- 0 -
4201	4	- 0 -
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	- 0 -
4271	N/A	- 0 -
4450	- 0 -	- 0 -
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4650	(1)	N/A
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	- 0 -	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund for Direct Loans</i>
1010	\$ 4	\$ -0-
1310	N/A	5
1350	N/A	88
1399	N/A	(39)
2110	(1)	N/A
2170	(5)	N/A
2510	N/A	(54)
3100	(3)	N/A
3101	-0-	N/A
3107	-0-	N/A
3310	5	-0-
531 Int Revenue – Subsidy Amort.	N/A	-0-
5312	-0-	-0-
5700	-0-	N/A
6100 Admin Expense	-0-	N/A
6100 Subsidy -Defaults	-0-	N/A
6100 Subsidy-Interest/Differential	-0-	N/A
6310	N/A	-0-
6800 Subsidy-Re-Est-Cash Flow-Prin	-0-	N/A
6800 Subsidy-Re-Est-Cash Flow-Int	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Prin	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Int	-0-	N/A

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 1

The following relationships exist between the post-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

Program Fund

1. 4201 = 1010 [\$4 = \$4]

Financing Fund

1. 4201 = 1010 [\$-0- = \$-0-]

2. 3310 must = \$-0- [it does]

FINANCIAL STATEMENTS – YEAR 1

The following condensed financial statements are illustrated for Year 1:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance). A “P” indicates that an account comes from the program fund; an “F” that it comes from the financing fund for direct loans. Where the same account number is used, line items would have to be distinguished by sub-accounts, attributes, or some other means of coding.

DoD Direct Loan Operation Statement of Net Cost For Fiscal Year 1

Expenses

Basic Subsidy Expense – Defaults	\$30		[6100P]
Basic Subsidy Expense – Interest Differential	5		[6100P]
Re-Estimated Subsidy Expense – Cash Flows-Prin	3		[6800P]
Re-Estimated Subsidy Expense – Cash Flows-Int	1		[6800P]
Re-Estimated Subsidy Expense – Interest Rate-Prin	.75		[6800P]
Re-Estimated Subsidy Expense – Interest Rate-Int	.25		[6800P]
Interest Expense – Treasury	3		[5312F]
Administrative Expenses	<u>7</u>	\$50	[6100P]

Earned Revenue:

Interest Revenue – Customers	\$ 2		[5312F]
Interest Revenue – Subsidy Amortization	<u>1</u>	<u>(3)</u>	[5310F]
Net Cost of Operations		<u>\$47</u>	

Note: The detail for the subsidy expense would normally be placed in the footnotes rather than within the body of the Statement of Net Costs.

**DoD Direct Loan Operation
Statement of Changes in Net Position
For Fiscal Year 1**

Crosswalk

Cumulative Results of Operations:

Cumulative Results of Operations October 1	\$-0-	3310P;B
Appropriations Used for Goods, Services, And Benefits	42	
Net Cost of Operations	<u>(47)</u>	From SNC
Cumulative Results of Operations September 30	<u><u>\$(5)</u></u>	Must = 3310P/E

Unexpended Appropriations

Unexpended Appropriations October 1	\$-0-	3100P;B
Appropriations Received	45	3101P
Appropriations Used	<u>(42)</u>	3107P
Unexpended Appropriations September 30	<u><u>\$ 3</u></u>	Must = 3100P;E

**DoD Direct Loan Operation
Statement of Budgetary Resources
For Fiscal Year 1**

	[Program Fund] BUDGETARY	[Financing Fund] NON-BUDGETARY	Crosswalk
RESOURCES			
Unobligated Balance Forward October 1	\$-0-	\$-0-	4450/4650B
New Resources:			
Appropriations	45		4115/4117
Borrowing Authority		65	4141
Offsetting Collections		49	426X, 427X
Repayments of Treasury Principal		(11)	4146
TOTAL RESOURCES	<u>\$45</u>	<u>\$103</u>	
STATUS OF RESOURCES			
Obligated	\$44	\$103	48xx/49xxE-B
Unobligated – Available for New Obligations	-0-	-0-	4450
Unobligated – Expired	<u>1</u>	<u>-0-</u>	4650
TOTAL STATUS OF RESOURCES	<u>\$45</u>	<u>\$103</u>	
RELATIONSHIP OF NET OBLIGATIONS TO NET OUTLAYS			
Gross Obligations	\$44	\$103	Sec. 2
Less Offsetting Collections	<u>-0-</u>	<u>(49)</u>	Sec. 1
Net Cash and Non-Cash Obligations	44	54	
Less Undelivered Orders Without Advances	<u>(2)</u> (Note A)	<u>-0-</u>	4801E-B
NET OUTLAYS	<u>\$42</u>	<u>\$ 54</u>	
Components of Net Outlays:			
Disbursements	\$42	\$103	4902
Offsetting Collections	<u>-0-</u>	<u>(49)</u>	426X,427X
NET OUTLAYS	<u>\$42</u>	<u>\$ 54</u>	

(A) The ending amount of undelivered orders without advances was \$2; the beginning amount was \$-0-.

**DoD Direct Loan Operation
Statement of Financing
For Fiscal Year 1**

Net Obligations (from statement of budgetary resources)		\$98	Crosswalk SOBR, Sec 3
Items in Net Obligations Not			
Funding Net Cost of Operations:			
Collections of Principal on Direct Loans	12		4221/2E-B
Collections of Subsidy	35		4801/2E-B
Obligations for Loans Made	(100)		
Increase in Undelivered Orders	<u>(2)</u>	<u>(55)</u>	
Net Obligations Funding			
Net Cost of Operations		43	
Items in Net Cost of Operations Not			
Requiring or Using Current-Period Resources:			
Upward Subsidy Re-estimate	5		6800 Subs Re-est
Interest Revenue from Subsidy Amort.	<u>(1)</u>	<u>4</u>	6790 Subs Amort.
Net Cost of Operations		<u>\$47</u>	

**DoD Direct Loan Operation
Balance Sheet
At Year-End FY 1⁵**

ASSETS

Fund Balance with Treasury		\$4	Crosswalk 1010P/F
Loans Receivable	\$88		1350F
Less Allowance for Subsidy	<u>(39)</u>	<u>49</u>	1399F
TOTAL ASSETS		<u>\$53</u>	

LIABILITIES

Accounts Payable	\$ 1		2110P
Principal Payable to Treasury	<u>54</u>	\$55	2510F

NET POSITION

Unexpended Appropriations	3		3100P;E
Cumulative Results of Operations	<u>(5)</u>	<u>(2)</u>	3310P;E

TOTAL LIABILITIES AND NET POSITION **\$53**

TRANSACTIONS—YEAR 2

The transactions in this module are limited for purposes of the case to obtaining the resources for the upward re-estimate and transferring them from the program fund to the financing fund.

2-1. The program fund submitted a request for realization of the permanent indefinite appropriation for the upward re-estimate accrued in transaction 13. The financing fund anticipated collection of it and use to repay the full amount toward principal on the loan from Treasury.

2-1a. Program Fund

4120 Anticipated Appropriations	5	
4450 Unapportioned Authority		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A102	A102-001	4120	4450			5

2-1b. Financing Fund for Direct Loans

4070 Anticipated Collections from Non-Federal Sources	5	
4047 Anticipated Transfers to the General Fund of the Treasury		5
4450 Unapportioned Authority		0

⁵ Note that the financing fund's receivable from the program fund, and the program fund's payable to the financing fund are eliminated in the consolidation process and do not appear on the consolidated balance sheet.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A140	A140-003	4070	4450			5
A142	A142-001	4450	4047			5

2-2. OMB approved both apportionment requests.

2-2a. Program Fund

4118 Re-estimated Loan Subsidy Appropriation	5	
4120 Anticipated Appropriations		5
4450 Unapportioned Authority	5	
4510 Apportionments		5
1010 Fund Balance with Treasury	5	
3101 Unexpended Appropriations - Received		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A104	A104-013	4118	4120	1010	3101	5
A116	A116-001	4450	4510			5

2-2b. Financing Fund for Direct Loans

No entry is required. The funds will be realized on transfer, and their use to pay principal on the loan from Treasury is a non-expenditure transaction, which does not require an apportionment.

2-3. The agency allotted the program fund resources.

4510 Apportionments	5	
4610 Allotments – Realized Resources		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			5

2-4. The program fund transferred the re-estimated appropriation amount to the financing fund.

2-4a. Program Fund

4610 Allotments – Realized Resources	5	
4700 Commitments – Programs Subject to Apportionment		5
4700 Commitments – Programs Subject to Apportionment	5	
4801 Undelivered Orders – Obligations, Unpaid		5
4801 Undelivered Orders – Obligations, Unpaid	5	
4902 Delivered Orders – Obligations, Paid		5
2170 Subsidy Payable to Financing Fund	5	
1010 Fund Balance with Treasury		5
3107 Unexpended Appropriations – Appropriations Used	5	
5700 Financing Sources from Appropriations Used		5
6100 Re-Estimated Subsidy Expense Now Funded	5	
6800 Re-Estimated Subsidy Expense No Longer Unfunded		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			5
B204	B204-003	4700	4801			5
B105	B105-002	4801	4902	2170	1010	5
B134	B134-001			3107	5700	5
B344	B344-013			6100	6800	5

Note: Although the pairings for transaction B105-02 are shown, and support the entries in the case, its description does not match the precise activity being performed in the case. It is for the transfer of basic (initial) subsidy on disbursement of a direct loan (or loan guarantee), and not for the transfer or re-estimated subsidy, which has no connection with the disbursement of a loan. Additionally, B105-02 is incorrect for

basic subsidy, and the erroneous entry only by happenstance contains the elements needed for a transfer of re-estimated subsidy. Eventually, this will be taken up with the SGL Board. Note also that the business rule to have a budgetary payable established before a disbursement is made is waived for this transaction. In the case of a subsidy re-estimate, for which a liability is accrued at the end of the year preceding the transfer, there is no practical, inexpensive way to maintain the required relationship between account 4901, which, in essence, represents items payable from resources in the fund symbol in which 4901 is contained, and a proprietary liability to be paid. A proper accounting system should normally not allow a debit or credit to 4901 without a corresponding debit or credit to a proprietary liability account. This exception does not violate the rule that a liability be established, in that a proprietary liability was accrued at the end of Year 1, as called for by the Credit Reform Act (P.L. 101-508) and FASAB Standard 2 (on accounting for direct loans and loan guarantees), which govern the transaction.

2-4b. Financing Fund for Direct Loans

4271 Actual Collections of Subsidy	5	
4070 Anticipated Collections from Federal Sources		5
1010 Fund Balance with Treasury	5	
1310 Subsidy Receivable from Program Fund		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C106	C106-002	4271	4070	1010	1310	5

2-5. The financing fund paid the re-estimate to Treasury, receiving credit on loan principal.

4047 Anticipated Payments to the General Fund of the Treasury	5	
4146 Actual Repayments of Debt – Current-Year Authority		5
2510 Principal Payable to the Bureau of the Public Debt	5	
1010 Fund Balance With Treasury		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B120	B120-002	4047	4146	2510	1010	5

PRE-CLOSING TRIAL BALANCES—YEAR 2

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Direct Loans</i>
4047	N/A	\$ - 0 -
4060	N/A	1
4070	N/A	- 0 -
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4118	5	N/A
4120	- 0 -	N/A
4141	N/A	- 0 -
4145	N/A	- 0 -
4146	N/A	(5)
4148	N/A	- 0 -
4201	4	- 0 -
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	- 0 -
4271	N/A	5
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4650	(1)	N/A
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	(5)	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund For Direct Loans</i>
1010	\$ 4	\$ -0-
1310	N/A	-0-
1350	N/A	88
1399	N/A	(39)
2110	(1)	N/A
2170	-0-	N/A
2510	N/A	(49)
3100	(3)	N/A
3101	(5)	N/A
3107	5	N/A
3310	5	-0-
5310 Int Revenue – Subsidy Amort.	N/A	-0-
5312	-0-	-0-
5700	(5)	N/A
6100 Admin Expense	-0-	N/A
6100 Subsidy -Defaults	-0-	N/A
6100 Subsidy-Interest/Differential	-0-	N/A
6100 Funded Subsidy Exp.	5	N/A
6310	N/A	-0-
6800 Subsidy-Re-Est-Cash Flow-Prin	-0-	N/A
6800 Subsidy-Re-Est-Cash Flow-Int	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Prin	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Int	-0-	N/A
6800 Unfunded Subs. Exp. Now Funded	(5)	N/A

RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 2

The following relationships exist between the pre-closing trial balances (using absolute values for the accounts), in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

Program Fund

1. 4201 = 1010 [\$4 = \$4]
2. 3107 = 5700 = 6100 [\$5 = \$5 = \$5]

Financing Fund

1. 4201 = 1010 [\$-0- = \$-0-]
2. 3310 must = \$-0- [it does]

CLOSING ENTRIES—YEAR 2

Closing entries are set forth below.

Program Fund Budgetary

PCB 2-1. To change the status of unobligated authority for administrative expenses to expired authority.

N/A

PCB2-2. To consolidate the budgetary cash accounts into total actual resources - collected.

4902 Delivered Orders – Paid	5	
4201 Total Actual Resources – Collected	0	
4118 Re-Estimated Subsidy Appropriation		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			5
F204	F204-039	4201	4118			5

Program Fund - Proprietary

PCP2-3. To consolidate accounts relating to unexpended appropriations.

3101 Unexpended Appropriations – Received	5	
3100 Unexpended Appropriations – Cumulative		0
3107 Unexpended Appropriations – Used		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-001			3101	3100	5
F233	F233-009			3100	3107	5

PCP2-4. To close expense and financing source accounts to cumulative results of operations.

5700 Financing Sources from Appropriations Used	5	
6800 Unfunded Subsidy Expense Now Funded	5	
3310 Cumulative Results of Operations		5
6100 Funded Subsidy Expense		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	5
F228	F228-032			3310	6800	5
F228	F228-022			3310	6100	5

Financing Fund Budgetary

FCB2-1. To consolidate the budgetary cash accounts into total actual resources - collected.

4146 Actual Repayments of Debt – Current-Year Authority	5	
4201 Total Actual Resources – Collected	0	
4271 Actual Collections of Subsidy		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F204	F204-003	4146	4201			11
F204	F204-025	4201	4271			35

Financing Fund Proprietary

FCP2-2. To close expense and financing source accounts to cumulative results of operations.

There are no expenses or financing sources to close.

POST-CLOSING TRIAL BALANCES—YEAR 2

<i>Budgetary</i>	<i>Program Fund</i>	<i>Financing Fund for Direct Loans</i>
4047	N/A	\$ - 0 -
4060	N/A	-0-
4070	N/A	- 0 -
4115	\$ - 0 -	N/A
4117	- 0 -	N/A
4118	-0-	N/A
4120	- 0 -	N/A
4141	N/A	- 0 -
4145	N/A	- 0 -
4146	N/A	-0-
4148	N/A	- 0 -
4201	4	- 0 -
4221	N/A	- 0 -
4262	N/A	- 0 -
4263	N/A	-0-
4271	N/A	-0-
4510	- 0 -	- 0 -
4590	- 0 -	- 0 -
4610	- 0 -	- 0 -
4650	(1)	N/A
4700	- 0 -	- 0 -
4801	(2)	- 0 -
4901	(1)	- 0 -
4902	-0-	- 0 -

<i>Proprietary</i>	<i>Program Fund</i>	<i>Financing Fund For Direct Loans</i>
1010	\$ 4	\$ -0-
1310	N/A	-0-
1350	N/A	88
1399	N/A	(39)
2110	(1)	N/A
2170	-0-	N/A
2510	N/A	(49)
3100	(3)	N/A
3101	-0-	N/A
3107	-0-	N/A
3310	-0-	-0-
5310 Int Revenue – Subsidy Amort.	N/A	-0-
5312	-0-	-0-
5700	-0-	N/A
6100 Admin Expense	-0-	N/A
6100 Subsidy -Defaults	-0-	N/A
6100 Subsidy-Interest/Differential	-0-	N/A
6100 Funded Subsidy Exp.	-0-	N/A
6310	N/A	-0-
6800 Subsidy-Re-Est-Cash Flow-Prin	-0-	N/A
6800 Subsidy-Re-Est-Cash Flow-Int	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Prin	-0-	N/A
6800 Subsidy-Re-Est-Interest Rate-Int	-0-	N/A
6800 Unfunded Subs. Exp. Now Funded	-0-	N/A

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 1

The following relationships exist between the post-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

Program Fund

1. 4201 = 1010 [\$4 = \$4]

Financing Fund

1. 4201 = 1010 [\$-0- = \$-0-]

2. 3310 must = \$-0- [it does]

FINANCIAL STATEMENTS – YEAR 1

The following condensed financial statements are illustrated for Year 1:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance). A “P” indicates that an account comes from the program fund; an “F” that it comes from the financing fund for direct loans. Where the same account number is used, line items would have to be distinguished by sub-accounts, attributes, or some other means of coding.

DoD Direct Loan Operation Statement of Net Cost For Fiscal Year 2

There are no expenses or exchange revenues to report in Year 2.

**DoD Direct Loan Operation
Statement of Changes in Net Position
For Fiscal Year 2**

Crosswalk

Cumulative Results of Operations:

Cumulative Results of Operations October 1	\$(5)	3310P;B
Appropriations Used for Goods, Services, And Benefits	5	
Net Cost of Operations	<u>(-0-)</u>	From SNC
Cumulative Results of Operations September 30	<u><u>\$-0-</u></u>	Must = 3310P/E

Unexpended Appropriations

Unexpended Appropriations October 1	\$ 3	3100P;B
Appropriations Received	5	3101P
Appropriations Used	<u>(5)</u>	3107P
Unexpended Appropriations September 30	<u><u>\$ 3</u></u>	Must = 3100P;E

**DoD Direct Loan Operation
Statement of Budgetary Resources
For Fiscal Year 2**

	[Program Fund] BUDGETARY	[Financing Fund] NON-BUDGETARY	Crosswalk
RESOURCES			
Unobligated Balance Forward October 1	\$ 1	\$-0-	4450/4650B
New Resources:			
Appropriations	5		4115/4117
Borrowing Authority			4141
Offsetting Collections		5	426X, 427X
Repayments of Treasury Principal		(5)	4146
TOTAL RESOURCES	<u>\$ 6</u>	<u>\$-0-</u>	
STATUS OF RESOURCES			
Obligated	\$ 5	\$-0-	48xx/49xxE-B
Unobligated – Available for New Obligations	-0-	-0-	4450
Unobligated – Expired	<u>1</u>	<u>-0-</u>	4650
TOTAL STATUS OF RESOURCES	<u>\$ 6</u>	<u>\$ -0-</u>	
RELATIONSHIP OF NET OBLIGATIONS TO NET OUTLAYS			
Gross Obligations	\$ 5	\$-0-	Sec. 2
Less Offsetting Collections	<u>-0-</u>	<u>-0-</u>	Sec. 1
Net Cash and Non-Cash Obligations	5	-0-	
Less Undelivered Orders Without Advances	<u>-0-</u>	<u>-0-</u>	4801E-B
NET OUTLAYS	<u>\$ 5</u>	<u>\$-0-</u>	
Components of Net Outlays:			
Disbursements	\$ 5	\$-0-	4902
Offsetting Collections	<u>-0-</u>	<u>-0-</u>	426X,427X
NET OUTLAYS	<u>\$ 5</u>	<u>\$ -0-</u>	

(A) The ending amount of undelivered orders without advances was \$2; the beginning amount was \$-0-.

**DoD Direct Loan Operation
Statement of Financing
For Fiscal Year 2**

Net Obligations (from statement of budgetary resources)	\$ 5	Crosswalk SOBR, Sec 3
Items in Net Obligations Not Funding Net Cost of Operations:		
Obligations for Subsidy Accrued In the Prior Year	<u>(5)</u>	6800 Unfunded Sub Now Funded
Net Cost of Operations	<u><u>\$-0-</u></u>	

**DoD Direct Loan Operation
Balance Sheet
At Year-End FY 1**

ASSETS

Fund Balance with Treasury		\$ 4
Loans Receivable	\$88	
Less Allowance for Subsidy	<u>(39)</u>	<u>49</u>
TOTAL ASSETS		<u>\$53</u>

Crosswalk

1010P/F
1350F
1399F

LIABILITIES

Accounts Payable	\$ 1	
Principal Payable to Treasury	<u>49</u>	\$50

2110P
2510F

NET POSITION

Unexpended Appropriations	3	
Cumulative Results of Operations	<u>-0-</u>	<u>3</u>

3100P;E
3310P;E

TOTAL LIABILITIES AND NET POSITION		<u>\$53</u>
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APPENDIX: DOWNWARD RE-ESTIMATES

In the body of the case, an upward re-estimate was assumed for illustrative purposes. This appendix discusses the ramifications of downward re-estimates—those in which computations indicate that too much, rather than not enough, subsidy was obtained.

When there is an upward re-estimate, the program fund obtains it from a permanent indefinite appropriation under the Credit Reform Act, and then gives it to the financing fund, which, for a direct loan program, uses it to pay down principal on debt to Treasury. When there is a downward re-estimate, the financing fund has received too much money, and must give the excess back to a designated miscellaneous receipt fund in the General Fund of the Treasury. As with the upward re-estimate, an accrual will be made at the end of the year for which the re-estimate is for, and the cash will actually be transferred, and recognized by the Federal Budget, in the next year. Note that should the financing fund not have enough cash to make the transfer, it must borrow the shortfall from Treasury.

A1-1. Assume that at the end of Fiscal Year 1, a downward re-estimate of \$4—negative \$5 for changes in estimated cash flows and positive \$1 for a change in interest rates is indicated. For simplicity of illustration, the \$4 and \$1 are not broken into further components of principal and interest. These entries would be made in the financing fund for direct loans at September 30:

5730 Non-Budgetary Transfers-Out	5	
2190 Payable to Misc. Receipt Fund		5
1399 Allowance for Subsidy	5	
6800 Sub Exp – Re-est – Cash Flows		4
6800 Sub Exp – Re-est – Interest Rate		1

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D112	D112-002			5730	2190	5
D112	D112-009			1399	6800	5

Note that, in keeping with the requirement that the financing fund cannot have a net position, the items to be closed in the entries result in no change in cumulative results of operations (the 5730 and 6800 accounts would be closed). Note too, that while the 6800 accounts involved are in the program fund for an upward re-estimate, they are in the financing fund for a downward re-estimate.

The miscellaneous receipt fund is not part of the credit agency per se, and Treasury would report most of the information for it. However, FACTS II may require that a receivable (1310) be reported under the miscellaneous receipt fund symbol, with, presumably, a credit to 5720 Non-Budgetary Transfers-In, to facilitate the government-wide statements.

In the next year, DoD would make the transfer from the its financing fund to the miscellaneous receipt fund, using these transactions in the financing fund (assuming that the full amount would have to be borrowed):

A2-1. Requested an apportionment of realized budget authority.

4141 Current-Year Borrowing Authority Realized 5
 4450 Unapportioned Authority 5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A152	A152-001	4141	4450			5

A2-2. OMB approved the apportionment request.

4450 Unapportioned Authority 5
 4510 Apportionments 5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			5

Note that the Budget rules call for this to be an expenditure transfer of the financing fund, which requires that it be obligated.

A2-3. The agency allotted the authority.

4510 Apportionments 5
 4610 Allotments – Realized Resources 5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			5

A2-4. The agency borrowed the money from Treasury

4148 Resources Realized from Borrowing Authority 5
 4145 Borrowing Authority Converted to Cash 5

 1010 Fund Balance With Treasury 5
 2510 Principal Payable to the Bureau of the Public Debt 5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A156	A156-001	4148	4145	1010	2510	5

A2-5. The money was transferred to the miscellaneous receipt fund (this should be done as close to the beginning of Year 2 as possible).

4610 Allotments – Realized Resources	5	
4700 Commitments – Programs Subject to Apportionment		5
4700 Commitments – Programs Subject to Apportionment	5	
4801 Undelivered Orders – Obligations, Unpaid		5
4801 Undelivered Orders – Obligations, Unpaid	5	
4902 Delivered Orders – Obligations, Paid		5
2190 Payable to Misc. Receipt Fund	5	
1010 Fund Balance with Treasury		5
6800 Re-Estimated Subsidy Expense No Longer Unfunded	5	
6100 Re-Estimated Subsidy Expense Now Funded		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			5
B204	B204-003	4700	4801			5
B105	B105-003	4801	4902	2190	1010	5
B324	B324-023			6800	6100	5

Note: The business rule to have a budgetary payable established before a disbursement is made is waived for this transaction. In the case of a subsidy re-estimate, for which a liability is accrued at the end of the year preceding the transfer, there is no practical, inexpensive way to maintain the required relationship between account 4901, which, in essence, represents items payable from resources in the fund symbol in which 4901 is contained, and a proprietary liability to be paid. A proper accounting system should normally not allow a debit or credit to 4901 without a corresponding debit or credit to a proprietary liability account. This exception does not violate the rule that a liability be established, in that a proprietary liability was accrued at the end of Year 1, as called for

by the Credit Reform Act (P.L. 101-508) and FASAB Standard 2 (on accounting for direct loans and loan guarantees), which govern the transaction.

As with Year 1, DoD would not account for the miscellaneous receipt fund on its financial statements, with the exception of the statement of budgetary resources and of financing. DoD's miscellaneous receipt fund would be associated with DoD's direct loan program in the federal budget, and OMB requires that the deposit to the fund be added to DoD's statement of budgetary resources, even though most of the other financial statements would be involved.

The financing fund's obligation for the transfer would appear as one of the fund's non-budgetary obligations, as would any other obligation, and would normally have no special line item on the statement (although disclosures about re-estimates are required). The statement of budgetary resources *budgetary* column would have this added to it:

	<i>Budgetary</i>
Net outlays (as per usual)	\$x,xxx
Less deposits to misc. receipt fund for downward re-estimates	<u>(5)</u>
Net outlays after deposits to misc. receipt fund	<u>\$x,xxx</u>

The statement of financing begins with net obligations, which is essentially gross obligations less offsetting collections. The deposit to the miscellaneous receipt fund is considered an "offsetting receipt" in the federal budget (which makes a distinction between receipts and collections), and the receipt for the downward re-estimate reduces the net obligations on the statement of financing, which would compute the net amount, assuming no recoveries of prior-year obligations without advances, as:

Gross obligations	\$x,xxx
Less offsetting collections	(x,xxx)
Less offsetting receipts	<u>(5)</u>
Net obligations	<u>\$x,xxx</u>

* * * *This is the end of the direct loans case.* * * *